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Date:10/17/2014

GAIN Report Number:MX4073

Mexico

Post: Mexico City

Grain and Feed Update

Grain and Feed October Update Mexico

Approved By:

Dan Berman

Prepared By:

Benjamin Juarez

Report Highlights:

Due to generally favorable weather conditions throughout Mexico's crop producing regions, production is expected to be higher in marketing year (MY) 2014/15 for most crops, including corn, sorghum and rice, while production is down slightly for wheat and dry beans. MY2014/15 imports are forecast lower for corn, sorghum, rice and dry beans while up slightly for wheat. Responding to demands from various grower organizations about low commodity prices and the need for more assistance at the farm level, Federal and certain State governments are implementing various programs aimed at assisting select Mexican growers impacted by low commodity prices.

Wheat

Production:

The Post/New total wheat production and area harvested estimates for MY 2014/15 (July to June) have been revised slightly downward and upward, respectively, from USDA/Official estimates reflecting the most recent data from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA). This data includes preliminary final results of the 2013/14 fall/winter crop cycle, as well as updated information (as of August 31, 2014) of the 2014 spring/summer crop cycle. Official sources stated that despite the fact that weather conditions were favorable during the 2014/15 fall/winter crop cycle, in the state of Guanajuato, growers' planted less area than initially anticipated, which triggered a reduction of approximately 200,000 metric tons (MT) in comparison to the original production estimate. Official and private sources reason that farmers may have decided to plant less area due to the bad crop results they experienced a year ago when Guanajuato was affected by the lack of water coupled with a March freeze that damaged nearly 80 percent of harvest of the 2012/13 fall/winter harvest.

Trade:

The Post/New import estimate for MY 2014/15 has been increased to 4.45 MMT from the USDA/Official estimate. Two factors are driving this increase; 1) lower-than-expected domestic production and 2) more durum wheat planted in northern part of Mexico. As a result, it is expected the Mexican wheat flour industry will import higher volumes of bread wheat varieties (i.e., hard red winter and hard red spring).

The Post/New export estimate for MY 2014/15 has been revised downward to 1.3 MMT from USDA/Official estimate, as result of lower than expected domestic production. However, both private and governmental sources pointed out that Mexico's wheat exports will probably continue at fairly strong pace in MY14/15, but not higher than the level reached in MY13/14. The main argument for this trend is based on the expected increase in production of durum wheat (or crystalline). In MY 2014/15, durum wheat production is forecasted at approximately 2.3 MMT. According to private sources, from this total production, the wheat flour industry expects to consume nearly 720,000 MT, while for the animal consumption, mainly Sonora's hog producers, could reach 300,000 MT, assuming affordable prices. As a result, Mexico has the potential to export approximately 1.3 MMT of durum wheat in MY 2014/15. Mexico generally produces approximately 2.0 MMT of durum wheat annually. Official sources stated that the rational for this increase of durum production is driven by the fact that durum varieties tend to have higher yields and are generally more resistant to diseases.

Consumption:

The feed and residual consumption estimate for MY 2014/15 was revised upward to 300,000 MT from the USDA/Official estimate. Official and private sources pointed out that the market will search for feed wheat demand due to the higher planted acreage of durum wheat in the North of Mexico, which could imply lower, more attractive prices for the livestock sector.

Stocks:

The MY 2014/15 Post/New ending stocks estimate was revised upward to 379,000 MT from the USDA/Official estimate, due to higher-than-previously estimated imports.

Production, Supply and Demand Data Statistics:

Table 1: Mexico, Wheat Production, Supply, and Demand for MY 2012/13 to MY 2014/15

Corn:

Wheat Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	579	579	638	638	685	692
Beginning Stocks	575	575	278	278	319	319
Production	3,231	3,231	3,377	3,377	3,815	3,660
MY Imports	3,826	3,826	4,636	4,636	4,300	4,450
TY Imports	3,826	3,826	4,636	4,636	4,300	4,450
TY Imp. from U.S.	3,014	3,014	3,153	3,153	0	3,100
Total Supply	7,632	7,632	8,291	8,291	8,434	8,429
MY Exports	729	729	1,322	1,322	1,500	1,300
TY Exports	729	729	1,322	1,322	1,500	1,300
Feed and Residual	425	425	350	350	200	300
FSI Consumption	6,200	6,200	6,300	6,300	6,450	6,450
Total Consumption	6,625	6,625	6,650	6,650	6,650	6,750
Ending Stocks	278	278	319	319	284	379
Total Distribution	7,632	7,632	8,291	8,291	8,434	8,429
1000 HA, 1000 MT, MT/HA						

Production:

The Post/New total corn production estimate for MY 2014/15 (October/September) has been revised upward from the USDA/Official estimate of 22.5 to 23 million metric tons (MMT) due to slightly higher than expected

planted area and favorable weather conditions. According to several private and official sources, the 2014 spring/summer crop cycle has registered favorable weather factors such as timely rains resulting in replenishment of water reservoirs used to irrigate crops. This has led to improved crops conditions, including increased yields. In addition, the new production estimation includes the preliminary planting intentions of corn growers for the upcoming 2014/15 fall/winter crop cycle.

Similarly, the Post/New total corn production and area harvested estimates for MY 2013/14 have been revised upward from USDA/Official estimates reflecting the most recent data from SAGARPA. The Secretariat released its preliminary final production result for the 2012/13 fall/winter crop cycle (MY2012/13) and the results were higher than anticipated.

Recently, as a result of the bearish corn market outlook, the National Corn Growers Confederation of Mexico (CNPAMM) requested Mexico's Secretary of Agriculture, Enrique Martinez y Martinez, to set a "Corn Target Price" at 3,800 pesos per metric ton (roughly US \$ 283.50/MT) under the support program that the Mexican government established in 2003 (see 2003 GAIN Report [MX3098](#) "Rules of the Target Income Program for Corn, Wheat & Sorghum"). According to CNPAMM, the corn target price request is due to the 41 percent fall in international corn prices over the last 2 years. The CNPAMM stated that as a result of the decline of international corn prices, domestic prices have been set at 2,700 pesos (U.S. \$201/MT). However, CNPAMM states that the corn target price to support growers is insufficient to cover production costs and pay back debt owed to banking institutions and the National Finance Institution of Agriculture, Rural, Forestry and Fisheries Development.

Similarly, corn growers in Jalisco, one of the major corn producing states in Mexico, stated that it is unclear what farm gate prices they will receive when they start their harvest in November. Corn growers who are members of the National Campesino Confederation (CNC) have held meetings with state government officials to discuss issues revolving around low corn prices. The CNC corn growers pointed out that corn prices in the U.S. market is 24 percent lower than last year and approximately 57 percent lower than two years ago, due to near record production. CNC corn growers requested that the Jalisco state government provide them an additional support of 1,000 pesos per metric ton (U.S. \$75/MT) to reach a farm gate price of 3,200 pesos/MT (U.S. \$239/MT), and taking into considering that the current established “Target Price” is 2,200 pesos/MT (U.S. \$164/MT).

The CNC is the smallholder “sector” of the Institutional Revolutionary Party (PRI). It was founded on August 28, 1938 and it is the main “campesino” organization (small landholders) and umbrella organization for producers of corn, sugar, dry beans, rice, barley, sorghum, pineapple, and copra, among other commodities. Moreover, it has a strong nationwide presence and currently holds a significant number of seats in the Mexican Congress.

Reportedly, neither SAGARPA nor the Government of Jalisco, have responded to the groups’ petitions. On the other hand, SAGARPA has been tracking the effects of lower grain and oilseed prices and their impact on growers’ income. Government officials now appear to be becoming more upfront about the situation as the topic of lower commodity prices is increasingly added to the public debates around the country. Recently, for example, the Secretary of Agriculture warned that his main concern in agricultural policy now is the collapse of grain and oilseeds prices worldwide and how that would impact Mexican growers, especially corn growers who face oversupply and weak demand. Given this scenario, the Secretary stated that the Mexican government is considering additional alternative supports such as assistance with growers crop planning. For example, based on market indicators and grower needs tailored to the local level, advice would be given to help growers make their planting decisions, avoid overproduction, and other advice about ways to circumvent economic losses.

Trade:

In comparison with the USDA/Official estimate, the Post/New import estimate for MY 2014/15 has been decreased to 10.4 MMT due to higher-than-previously estimated domestic production. The Post/New import and export estimates for MY 2013/14 were revised upward and downward, respectively, in order to reflect official data from SAGARPA and the General Customs Directorate of the Secretariat of Finance (SHCP), for the first eleven months of this marketing year.

Stocks:

The MY 2014/15 Post/New ending stocks estimate was revised upward from USDA/Official estimates to 3.17 MMT due to higher-than-previously estimated domestic production. Also, the Post/New ending stocks estimated for MY 2013/14 has been revised upward to 3.0 MMT due higher-than-previously estimated domestic production.

Production, Supply and Demand Data Statistics:

Table 2: Mexico, Corn Production, Supply and Demand for MY2012/13 to MY2014/15

Corn Mexico	2012/2013	2013/2014	2014/2015
	Market Year Begin: Oct 2012	Market Year Begin: Oct 2013	Market Year Begin: Oct 2014

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6,896	6,896	6,900	7,052	6,900	6,950
Beginning Stocks	1,316	1,316	1,061	1,061	2,111	3,021
Production	21,591	21,591	22,400	22,960	22,500	23,000
MY Imports	5,676	5,676	10,700	10,800	10,900	10,400
TY Imports	5,676	5,676	10,700	10,800	10,900	10,400
TY Imp. from U.S.	4,875	4,875	0	10,700	0	10,100
Total Supply	28,583	28,583	34,161	34,821	35,511	36,421
MY Exports	522	522	550	200	500	500
TY Exports	522	522	550	200	500	500
Feed and Residual	11,000	11,000	15,000	15,100	16,000	16,000
FSI Consumption	16,000	16,000	16,500	16,500	16,750	16,750
Total Consumption	27,000	27,000	31,500	31,600	32,750	32,750
Ending Stocks	1,061	1,061	2,111	3,021	2,261	3,171
Total Distribution	28,583	28,583	34,161	34,821	35,511	36,421
1000 HA, 1000 MT, MT/HA						

Sorghum

Production:

Post/New sorghum production has been revised upward from USDA/Official figures for MY 2014/15 to 7.7 MMT. This increase is due to higher-than-previously estimated planted area in Mexico's sorghum producing area. Official and private analysts estimate that despite low prices, growers have continued planting sorghum due to the lack of attractive alternative crops. In addition, the favorable weather conditions during the 2014 spring/summer crop cycle and additional government supports could encourage growers to expand the planted area of sorghum. In Guanajuato, for example, the state government announced on October, 6, 2014 a budget of 160 million pesos (U.S. \$11.9 million) to give a monetary incentive of 300 pesos per metric ton (roughly U.S. \$22/MT) to growers who sell their sorghum on the open market. Reportedly, Guanajuato sorghum growers recently organized demonstrations to demand the reestablishment of the "Target Income Program", which includes compensation when crop prices drop down below a certain level.

The Governor of Guanajuato stated that the new program, now called "Support to Capitalize Guanajuato's Sorghum Producers, 2014," will be for those Guanajuato growers with a maximum planted area of 20 hectares. Grower support will be limited to an average yield of 8.5 MT/Ha.

The Post/New production and harvested area estimates for MY 2013/14 have been revised upward from USDA/Official figures. These changes reflect the most recent data from the SAGARPA, including the preliminary final production result for the 2012/13 fall/winter crop cycle, where the production result was much higher than anticipated. Official sources stated that the production expansion reflects favorable weather conditions which positively impacted yields. In Tamaulipas, for example, sorghum production reached 3.1 MMT in the 2013/14 fall/winter crop cycle, which is considered historical by official sources. According to the Rural Development Secretary of Tamaulipas, this harvest is the second largest in the state since 1980. Tamaulipas is the main sorghum producing state for the fall/winter crop cycle.

Consumption:

The total sorghum consumption estimate for MY 2013/14 has been increased from the USDA/Official estimate based on information obtained from industry contacts and SAGARPA. These contacts stated

that the higher domestic production than was previously anticipated further reduced domestic sorghum prices and have provoked an increase for animal feed demand. For MY2014/15, the total consumption estimate has been revised upward compared to the USDA/Official figure, and based on information from private sources, who expect more attractive prices for the livestock sector will continue in this marketing year.

Trade:

In comparison with the USDA/Official estimate, the Post/New import estimate for MY 2014/15 has been decreased due to higher than expected domestic production.

Stocks:

The Post/New ending stocks estimate for MY 2013/14 is higher than the USDA/Official estimate (681,000 MT) as a result of higher than previously estimated domestic production. This is reflected in the upward adjustment to MY 2014/15 carry over as well. Similarly, Post's MY 2014/15 ending stocks estimate was revised higher to 681,000 MT due to larger than previously anticipated domestic production.

Production, Supply and Demand Data Statistics:

Table 3: Mexico, Sorghum Production, Supply and Demand for MY2012/13 to MY2014/15

Sorghum Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,644	1,644	1,980	2,073	1,830	1,900
Beginning Stocks	418	418	281	281	251	681
Production	6,174	6,174	7,170	8,500	7,000	7,700
MY Imports	1,789	1,789	200	200	300	100
TY Imports	1,789	1,789	200	200	300	100
TY Imp. from U.S.	1,360	1,360	0	200	0	100
Total Supply	8,381	8,381	7,651	8,981	7,551	8,481
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	8,000	8,000	7,300	8,200	7,200	7,700
FSI Consumption	100	100	100	100	100	100
Total Consumption	8,100	8,100	7,400	8,300	7,300	7,800
Ending Stocks	281	281	251	681	251	681
Total Distribution	8,381	8,381	7,651	8,981	7,551	8,481

1000 HA, 1000 MT, MT/HA

Rice

Production:

The Post/New rice production estimate for MY 2014/15 (October to September) has been revised upward from the official USDA/Official estimate by 12 percent to 214,000 MT (rough production) due to higher than expected planted area and favorable weather conditions. The increased rough production is equivalent to 147,000 MT of milled rice. Official sources pointed out that as a result of favorable weather conditions that replenished water reservoirs, rice growers in states of Campeche and Nayarit decided to slightly increase their planted areas compared to the initial sowing intentions in the 2014 Spring/summer crop cycle.

Trade:

The import estimate for MY 2014/15 was lowered from the USDA/Official estimate, which reflects higher-than-previously estimated domestic production. Similarly, the Post/New rice import estimate for MY2013/14 has been revised upward to 744,000 MT, in order to reflect the available information from SAGARPA and SHCP for the first eleven months of this marketing year.

The Mexican Rice Council (MRC) has been lobbying with the Secretariat of Economy (SE) and SAGARPA, urging them to re-establish import tariffs on rice imported from all countries that Mexico does not have free trade agreements. The MRC is optimistic that the Mexican government will support this demand and re-establish the import tariffs before the end of this year, if not sooner. Discussions on this issue continue between the two Secretariats. No formal announcement has been made to date. It should be noted that until 2008, Mexico had a 15 percent import tariff on rice imports (which the United States was exempt due to North America Free Trade Agreement - NAFTA). Due to the substantial increase in world prices in 2007 and 2008, the Mexican Government decided to eliminate tariffs on rice and other commodities (see 2008 GAIN report [MX8038](#) "Mexico Publishes Tariff Modifications on Basic Commodities").

Stocks:

The MY 2014/15 Post/New ending stocks estimate was revised upward from USDA/Official estimate to 221,000 MT as a result of higher-than-previously anticipated domestic production. Also, ending stocks for the MY 2013/14 have been revised upward, due to higher import levels than previously estimated.

Production, Supply and Demand Data Statistics:**Table 4: Mexico, Rice Production, Supply and Demand for MY2012/13 to MY2014/15**

Rice, Milled Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	35	35	35	35	32	39
Beginning Stocks	152	152	189	189	183	202
Milled Production	131	131	131	131	128	147
Rough Production	191	191	191	191	186	214
Milling Rate (.9999)	6,870	6,870	6,870	6,870	6,870	6,870
MY Imports	743	743	725	744	775	765
TY Imports	746	746	750	700	775	765
TY Imp. from U.S.	655	655	0	530	0	580
Total Supply	1,026	1,026	1,045	1,064	1,086	1,114
MY Exports	2	2	2	2	3	3
TY Exports	2	2	2	2	5	3
Consumption and Residual	835	835	860	860	890	890
Ending Stocks	189	189	183	202	193	221
Total Distribution	1,026	1,026	1,045	1,064	1,086	1,114
1000 HA, 1000 MT, MT/HA						

Dry Beans**Production:**

The Post dry beans harvested area and production estimates for MY 2014/15 (January to December) have been revised slightly downward, reflecting the latest Mexican government official data published by SAGARPA. Despite the slight reduction, private and official sources indicated that the favorable

weather conditions, with a regular rainy season since August, have favored the 2014 spring/summer crop cycle. In general, the dry bean plant development is considered from good to very good in the main producing states of Durango, Zacatecas, San Luis Potosi and Guanajuato. In Chihuahua, dry bean plants conditions were reported from very good to excellent.

According to the average planting dates, an estimated 20 percent of dry bean planted area was planted in the last half of June and first half of July. While 70 percent was planted in the second half of July and 10 percent in the first half of August. Private source stated that in general, dry beans presented good health, noting no insect or plague attacks or other disease. Considering that the current crop conditions are from good to very good and in some cases excellent, and expecting that the weather conditions continue to be favorable, it is expected dry bean yields could reach from 0.7 to 1.0 MT per hectare.

The Post/New MY 2013/14 production and harvested area estimates were revised slightly downward and upward, respectively. This change reflects the most recent data from SAGARPA, which includes the preliminary final figures for the 2013 spring/summer crop cycle and the 2013/14 fall/winter crop, as of August 31, 2014.

Trade:

The import estimate for MY 2014/15 has been revised downward based on the data from SAGARPA and SHCP for first eight months of CY 2014. Similarly, the Post/New dry bean export estimate for MY2014/15 has been revised downward from our previous estimate to 70,000 MT, based on private traders' information and preliminary official data from SAGARPA and SHCP covering the first eight months of the CY 2014.

Stocks:

The ending stocks estimate for MY 2014/15 has been decreased slightly to 308,000 MT because of lower than expected domestic production. Also, for MY 2013/14, ending stocks have been revised downward to 361,000 MT, due to lower than previously expected production.

Production, Supply and Demand Data Statistics:

Table 5: Mexico, Dry Beans Production, Supply and Demand for MY2012/13 to MY2014/15

Dry Beans Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	1559	0	1801	0	1580
Beginning Stocks	0	8	0	137	0	361
Production	0	1063	0	1335	0	1180
MY Imports	0	232	0	133	0	64
TY Imports	0	232	0	133	0	64
TY Imp. from U.S.	0	172	0	117	0	60
Total Supply	0	1303	0	1605	0	1605
MY Exports	0	16	0	31	0	70
TY Exports	0	16	0	31	0	70
Feed and Residual	0	0	0	0	0	0
FSI Consumption	0	1150	0	1213	0	1227
Total Consumption	0	1150	0	1213	0	1227
Ending Stocks	0	137	0	361	0	308

Total Distribution	0	1303	0	1605	0	1605
1000 HA, 1000 MT, MT/HA						

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